

Message Text

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ORIGIN EB-11

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DRAFTED BY EB: ORF: FSE: WPWHITMAN

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APPROVED BY EB/ ORF/ FSE: GEORGE M O ENNSKY

ARA: NC; MR. FORRESTER

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS IMMEDIATE

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E. O. 11652 N/ A

TAGS: ENRG

SUBJECT: IMPACT OF NEW OIL IMPORT PROGRAM ON VENEZUELAN
EXPORTS.

REF: AMB LITTLE TELCON APRIL 19.

FOR AMBASSADOR

1. DEPARTMENT BELIEVES (AND VENEZUELAN EMB HERE TENDS TO
AGREE) THAT EFFECT OF NEW IMPORT PROGRAM WILL BE NEGLIGIBLE,
AT LEAST INITIALLY AND QUITE LIKELY MUCH LONGER.

2. OUR SUPPOSITION BASED ON STRONG AND GROWING WORLDWIDE
DEMAND FOR OIL, WHICH SHOULD PROVIDE VENEZUELA AND OTHER
PRODUCERS WITH ASSURED MARKET FOR A REASONABLY PRICED
PRODUCT. COMPANIES ALSO HAVE STRONG FINANCIAL INCENTIVE
TO MAINTAIN THEIR EXPORTS OF VENEZUELAN OIL. NO END IS
FORESEEN TO THIS SELLERS MARKET.

3. UNDER NEW SYSTEM VENEZUELA' S PRESENT CUSTOMERS WILL
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BE EXEMPTED FROM PAYING TARIFFS AND LICENSE FEES TO THE EXTENT THEY CHOOSE TO CONTINUE QTE SPENDING UNQTE ALL OR PART OF THEIR 1973 ALLOCATION LEVEL FOR VENEZUELAN CRUDE AND PRODUCT. THESE IMPORTERS WILL OF COURSE BE INCREASINGLY SUBJECT TO LICENSE FEES AS EXEMPTIONS ARE

PHASED OUT; HOWEVER THESE CONDITIONS WILL APPLY TO PURCHASES FROM ALL SUPPLIERS AND NOT JUST VENEZUELA. SINCE OIL IMPORTED IN EXCESS OF 1973 LEVELS WILL BE SUBJECT TO SAME FEE, WHICH WILL DECLINE EQUALLY FOR ALL, COMPETITIVENESS OF VENEZUELAN OIL WILL AS BEFORE DEPEND ON ITS COMPETITIVENESS IN TERMS OF PRICE AND QUALITY. THIS MAY GIVE VENEZUELAN SOME PROBLEMS IN PUERTO RICAN MARKET WHERE OUR CONVERSATIONS REGARDING LAST YEAR'S SUN WAIVER CASE INDICATE MARKETING PROBLEMS MIGHT ARISE BUT NOT LOSS OF MARKET.

4. THERE IS ALSO POSSIBILITY THAT PORTION OF PRESIDENT'S MESSAGE URGING THAT SECONDARY POLLUTION STANDARDS BE SET ASIDE WHENEVER POSSIBLE MIGHT INCREASE OR STRENGTHEN DEMAND FOR VENEZUELA'S HEAVIER PRODUCTS OR AT LEAST FORESTALL A 1975 DROPOFF IN DEMAND FOR THE FUELS. PORTER

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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